

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

PAT0084 – INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

(Foundation in Business)

2 MARCH 2018
3.00 p.m. – 5.00 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **FIVE** pages with **FOUR** questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet.

STRUCTURED [100 MARKS]

Instructions: Answer ALL questions. Write your answers in the Answer Booklet.

QUESTION 1**Part A**

Nishikawa Home Accessories manufactures pillows using an activity-based costing system to allocate all manufacturing conversion costs. The production of pillows consists of three activities, namely materials handling, assembling, and packaging activities. The total direct materials cost per pillow is RM8 and each pillow uses three parts in materials handling and assembling activities. The following information is provided for the month of June:

Activity	Estimated Activity Costs	Cost Driver	Estimated Total Cost Driver Quantity	No. of cost driver used per pillow
Materials handling	RM3,000	Number of parts	6,000 parts	3 parts
Assembling	RM7,200	Number of parts	6,000 parts	3 parts
Packaging	RM4,000	Number of pillows	2,000 pillows	1 pillow

REQUIRED

- a) Calculate the activity cost driver rates for the followings:
- i) Materials handling (2 marks)
 - ii) Assembling (2 marks)
 - iii) Packaging (2 marks)
- b) Calculate the following activity costs assigned to one pillow:
- i) Materials handling (1.5 marks)
 - ii) Assembling (1.5 marks)
 - iii) Packaging (1 mark)
- c) Compute the total manufacturing costs of one pillow. (3 marks)

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QUESTION 1**Part B**

Lazio produces frozen pizzas in three departments: assembly, freezing and packaging. In assembly, crust ingredients are added at the beginning of the process. After the crust is made, the cheese, sauce, and toppings are added at the end of the process. Conversion costs are added evenly. Data for the assembly department includes:

Beginning WIP inventory	0 units
Units started	22,000 units
Units completed and transferred to freezing	20,000 units
Ending WIP inventory (60% through assembly)	2,000 units
Crust ingredients added	RM33,000
Cheese added	RM30,000
Sauce and toppings added	RM20,000
Direct labour	RM50,000
Manufacturing overhead	RM13,600

REQUIRED

- a) At the end of the period, calculate the total equivalent units for:
- i) Crust ingredients (1.5 marks)
 - ii) Cheese, sauce and toppings (1.5 marks)
 - iii) Conversion costs (1.5 marks)
- b) Calculate the following costs per equivalent unit of pizza in the assembly department:
- i) Crust ingredients (1.5 marks)
 - ii) Cheese, sauce and toppings (2 marks)
 - iii) Conversion costs (2 marks)
 - iv) Product costs (2 marks)
- (Total 25 marks)**

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QUESTION 2**Part A**

Kamikochi Corporation gathered the following information for the year just ended:

Fixed manufacturing costs	RM95,000
Fixed marketing costs	RM70,000
Fixed administrative costs	RM30,000
Variable manufacturing costs	RM90,000
Variable marketing costs	RM80,000
Variable administrative costs	RM10,000

During the year, Kamikochi produced and sold 60,000 units of product at a sale price of RM8 per unit. There was no beginning inventory of product at the start of the year.

REQUIRED

- Calculate the contribution margin per unit. (3 marks)
- Calculate the breakeven point units. (3 marks)
- Calculate the total contribution for the year. (3 marks)
- What is the total operating profit or loss for the year? (3 marks)
- How many units must be sold to earn the targeted operating profit of RM100,000? (3 marks)

Part B

Fujiwater Corporation manufactures outdoor planters. Budgeted sales and production data for the planters are as follows:

	January	February	March	April
Budgeted sales units	2,000	2,500	3,200	3,500
Budgeted production units	2,400	2,700	3,500	3,000

Each planter requires 2 kilogrammes of clay in its manufacture. Fujiwater Corporation has a policy that the inventory of clay at the end of each month needs to be equal to 20% of the production needs for the following month.

REQUIRED

Prepare the clay purchase budget (for January, February, March and total for the first quarter). (10 marks)

(Total 25 marks)

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QUESTION 3

Assume that Alba Juice company reports the following costs to make 500ml bottles for its pure fruit juice.

	Cost per bottle (RM)
Direct materials	0.80
Direct labour	0.40
Variable factory overhead	0.60
Fixed factory overhead	0.70
Total product costs	2.50

An external manufacturer offers to sell Alba Juice the bottles for RM2.30 each. One supervisor with a fixed salary of RM40,000 would be avoided if the bottles were purchased from the external manufacturer. The company requires 100,000 bottles.

REQUIRED

- a) Calculate the total irrelevant costs to make 100,000 bottles. (3 marks)
- b) Prepare a schedule that compares the total relevant costs to make and buy the 100,000 bottles. (8 marks)
- c) Should Alba Juice company make or buy the bottles? Why? (2 marks)
- d) If Alba Juice Company purchases the 100,000 bottles from the external manufacturer, the company can use the excess facilities for other manufacturing activity that generates additional contribution margin of RM45,000.
 - i) Prepare a schedule that compares the total relevant costs to make and buy the 100,000 bottles based on the above situation. (6 marks)
 - ii) Should Alba Juice company make or buy the bottles? Why? (2 marks)
- e) Give **ONE** example to describe each of the following costs in the bottling department of Alba Juice Company.
 - i) Sunk cost (1 mark)
 - ii) Opportunity costs (1 mark)
 - iii) Differential cost (1 mark)
 - iv) Unavoidable cost (1 mark)

(Total 25 marks)

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QUESTION 4

Sportswear Sdn. Bhd. manufactures yoga pants. Below is the information related to the company for the year ending 2017. There was no beginning inventory at the beginning of the year. Normal activity on which the fixed overhead is based is 100,000 pants.

Number of pants produced	140,000
Number of pants sold	125,000
Sale price per unit	RM30
<u>Variable costs:</u>	
Manufacturing expense per unit	RM10
Sales commission expense per unit	RM4
<u>Fixed costs:</u>	
Manufacturing overhead per year	RM1,400,000
Fixed non-manufacturing expenses per year	RM145,000

REQUIRED

- a) Prepare the statement of profit or loss for the year ending 31 December 2017 by using:
- i) Absorption costing method (11 marks)
 - ii) Marginal costing method (11 marks)
- b) State which of the costing method show a higher operating income? Why? (3 marks)

(Total 25 marks)

End of Paper